



**Milliman**

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November 6, 2006

Mr. John Lynch  
Chief Actuary  
Blue Cross and Blue Shield of Rhode Island  
15 LaSalle Square  
Providence, RI 02903-3279

Re: Development of Benefit Richness Factors for Subscription Rates for Direct Pay (Class DIR)

Dear Mr. Lynch:

Blue Cross and Blue Shield of Rhode Island (BCBSRI) is preparing a filing of subscription rates for Class DIR HealthMate products. In connection with this filing, BCBSRI has asked Milliman to develop "Benefit Richness Factors" to adjust allowed claims for expected differences in utilization and mix of service levels by product resulting from incentives created by the benefit features of the particular product.

This analysis was performed for the purpose of developing the "Benefit Richness Factors" for BCBSRI to use in the filing development for Class DIR, in order to reflect differences in allowed claim levels among products due to benefit provisions; it may not be appropriate for any other use. We understand that you intend to include a copy of this letter and the accompanying chart with BCBSRI's rate filing, and we hereby consent.

BCBSRI requested that Milliman develop non-drug, drug, and combined (where applicable) "Benefit Richness Factors" for each of the Direct Pay product offerings available prior to April 1, 2006, and for new products that were made available after that date. A summary of the key benefit provisions for each of the products is attached. The "Benefit Richness Factors" we developed are shown below.

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Product	Benefit Richness Factors		
	Non-Drug	Drug	Combined
<i>Available prior to April 1, 2006:</i>			
Standard Direct Blue	1.000	1.000	—
Economy Direct Blue	.980	—	—
HealthMate Direct 2000	.920	1.000	—
<i>Available April 1, 2006 and later:</i>			
HealthMate Direct 400	.970	.975	—
HealthMate Direct 2000	.920	.975	—
HealthMate HSA 3000	—	—	.920
HealthMate HSA 5000	—	—	.890

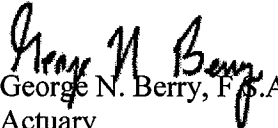
These “Benefit Richness Factors” are expressed relative to the Standard Direct Blue product, which has been defined as a level of 1.000. Our development is based on information contained in the Milliman Health Cost Guidelines, benefit information supplied by BCBSRI staff, and actuarial judgment.

In performing this analysis and development, we relied on data and other information provided by BCBSRI. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis and development may likewise be inaccurate or incomplete.

It is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent that emerging experience differs from the assumptions used in the analysis, the actual allowed claims amounts which materialize will also deviate from the projected amounts produced by these “Benefit Richness Factors”. In accepting a risk such as this, it is imperative that BCBSRI maintain adequate reserves for the protection of the Plan and its subscribers.

Sincerely,

  
James A. Dunlap, F.S.A.  
Actuary

  
George N. Berry, F.S.A.  
Actuary

JAD/jpj  
Enclosures

**BLUE CROSS AND BLUE SHIELD OF RHODE ISLAND**  
**4/2007 Direct Pay (Class DIR) Rate Filing**  
**Key Benefit Provisions**

**Direct Blue Standard**

- Indemnity plan
- \$100 copay per maternity admission
- \$25 copay per emergency room visit
- Most other inpatient services covered in full
- Major Medical with \$300 deductible per member/\$600 per family, 20% coinsurance on covered services (includes physician office visits)
- Preferred Rx with 20% coinsurance based on retail price for prescriptions

**Direct Blue Economy**

- Indemnity plan
- \$500 copay per inpatient admission
- 20% coinsurance for most outpatient hospital services, including emergency room visits
- Adult preventive care covered at 20%, pediatric covered at \$5 copay
- No coverage for other office visits
- No coverage for prescription drugs

**HealthMate Direct 2000 (available prior to April 1, 2006)**

- PPO plan
- In-network provisions:
  - \$15 primary care physician (PCP) visit copay
  - \$25 specialist visit copay
  - \$25 urgent care copay
  - \$100 emergency room copay
  - All other non-drug services apply toward \$2,000 deductible per member/\$4,000 per family
  - 20% coinsurance after deductible
  - Out-of-pocket maximum of \$3,000 per member/\$6,000 per family
- Out-of-network provisions:
  - All services except emergency services apply toward separate \$2,000 deductible per member/\$4,000 per family
  - 40% coinsurance after deductible
  - Separate out-of-pocket maximum of \$6,000 per member/\$12,000 per family
- Preferred Rx with 20% coinsurance based on retail price for prescriptions

**BLUE CROSS AND BLUE SHIELD OF RHODE ISLAND**  
**4/2007 Direct Pay (Class DIR) Rate Filing**  
**Key Benefit Provisions**

**HealthMate Direct 400**

- PPO plan
- In-network provisions:
  - \$20 primary care physician (PCP) visit copay
  - \$40 specialist visit copay
  - \$75 urgent care copay
  - \$200 emergency room copay
  - All other non-drug services except preventative care and ambulance apply toward \$400 deductible per member/\$800 per family
  - 10% coinsurance after deductible
  - Out-of-pocket coinsurance maximum of \$2,500 per member/\$5,000 per family
- Out-of-network provisions:
  - All non-drug services except urgent/emergency services and ambulance apply toward separate \$400 deductible per member/\$800 per family
  - 40% coinsurance after deductible
  - Separate out-of-pocket coinsurance maximum of \$2,500 per member/\$5,000 per family
- Preferred Rx (covered in-network only) tiered coinsurance (20%/25%/50%) based on contractual payment levels for prescriptions

**HealthMate Direct 2000 (available April 1, 2006 and later)**

- PPO plan
- In-network provisions:
  - \$20 primary care physician (PCP) visit copay
  - \$40 specialist visit copay
  - \$75 urgent care copay
  - \$200 emergency room copay
  - All other non-drug services except preventative care and ambulance apply toward \$2,000 deductible per member/\$4,000 per family
  - 20% coinsurance after deductible
  - Out-of-pocket coinsurance maximum of \$3,000 per member/\$6,000 per family

**BLUE CROSS AND BLUE SHIELD OF RHODE ISLAND**  
**4/2007 Direct Pay (Class DIR) Rate Filing**  
**Key Benefit Provisions**

- Out-of-network provisions:
  - All non-drug services except urgent/emergency services and ambulance apply toward separate \$2,000 deductible per member/\$4,000 per family
  - 40% coinsurance after deductible
  - Separate out-of-pocket maximum of \$5,000 per member/\$10,000 per family
- Preferred Rx (covered in-network only) tiered coinsurance (20%/25%/50%) based on contractual payment levels for prescriptions

**HealthMate for HSA 3000**

- PPO Plan
- In-network provisions:
  - All services (including drug) except certain preventive care services apply toward \$3,000 deductible per member/\$6,000 per family
  - 100% coverage after deductible
- Out-of-network provisions:
  - All services except certain preventative care services apply toward separate \$3,000 deductible per member/\$6,000 per family
  - 40% coinsurance after deductible
  - Out-of-pocket coinsurance maximum of \$6,000 per member/\$12,000 per family

**HealthMate for HSA 5000**

- PPO Plan
- In-network provisions:
  - All services (including drug) except certain preventive care services apply toward \$5,000 deductible per member/\$10,000 per family
  - 100% coverage after deductible
- Out-of-network provisions:
  - All services except certain preventative care services apply toward separate \$5,000 deductible per member/\$10,000 per family
  - 40% coinsurance after deductible
  - Out-of-pocket coinsurance maximum of \$10,000 per member/\$20,000 per family